

NOW HIRING: HOW THE OPIOID EPIDEMIC AFFECTS SMALL BUSINESSES

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None.	
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None.	

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THURSDAY, SEPTEMBER 13, 2018

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,

Washington, DC.

The Committee met, pursuant to call, at 11:00 a.m., in Room 2360, Rayburn House Office Building. Hon. Steve Chabot [chairman of the Committee] presiding.

Present: Representatives Chabot, Knight, Blum, Fitzpatrick, Marshall, Balderson, Velázquez, Evans, and Lawson.

Chairman CHABOT. The Committee will come to order. I want to thank everyone for being here today.

The American economy is soaring. Significant growth is occurring as we speak and Americans, especially entrepreneurs, are once again optimistic about the future of their businesses. Just two days ago the National Federation of Independent Business Small Business Optimism Index soared to a new record high in the survey's 45-year history, showing that small businesses are finally feeling confident and are ready and willing to execute plans to grow their businesses. However, many small businesses are now facing a new challenge in finding, hiring, and retaining qualified workers. The NFIB also noted that 62 percent of small businesses reported trying to hire new employees with 89 percent of those businesses reporting finding few or no qualified applicants. A record 25 percent of small businesses cited the difficulty of finding qualified workers as their single biggest problem, up 2 points from just last month.

Today, we are here to examine why that might be. In recent Small Business Committee hearings, we have heard reports about how the opioid epidemic is impacting small businesses across this nation. Driven by the rise in opioid prescriptions and the influx of illegal opioid drugs into communities, drug addiction has grown in the United States in recent years. The opioid epidemic touches families and communities all across this country, so much so, in fact, that President Trump declared the epidemic a public health emergency almost one year ago today. We have seen that the opioid crisis has the ability to impact businesses, too. Many young working age Americans are not working or actively seeking work as a result of opioid addiction, impeding the ability of businesses to fill important job openings. In 2015, an estimated two million workers were not in the labor force due to the opioid epidemic. According to a recent report by the National Safety Council, more than 70 percent of United States employers have been affected by employees' prescription drug use.

We want to hear from our witnesses today and we appreciate that they have taken time away from I am sure important obligations that they have and their busy schedules to share their expertise with us on this very important topic, and we look forward to having a very productive discussion here this morning. So we want to thank you for being here.

And I would now want to recognize the Ranking Member, Ms. Velázquez, for her opening statement.

Ms. VELAZQUEZ. Thank you, Mr. Chairman. America's economy has improved since the Great Recession and unemployment is at an 18 year low. But while most signs of economic gains are promising, the labor participation rate has been on a decade's long decline.

As in previous hearings, we have heard what a challenge the workforce decline has had on small firms all over the country. With low unemployment rates, small employers are reporting difficulty finding qualified and skilled workers. Analyzing the United States workforce reveals two areas of concern, an existing skills gap among workers and a shrinking workforce. These problems are magnified by the opioid crisis. More than two million people struggle with opioid addiction, which is now one of the deadliest public health crises in modern history. This epidemic is not only wreaking havoc on our communities but also ravaging our workforce. In the last 15 years over 20 percent of the decrease in labor participation can be attributed to the increase in opioid prescriptions. For businesses, this reality has real consequences. If we are unable to meet the demand for trained workers it will weaken our ability to compete globally.

For individuals this reality has even more devastating consequences. In 2016 opioid overdoses killed more than 42,000 Americans, more than car crashes and guns combined. And those addicted to opioids are three times less likely to have completed post secondary education, adding an additional barrier to reentering the workforce. This epidemic begs the question of how we address the skills gap to get qualified people back into the workforce to fill these jobs.

It is critical to reengage adults who have left the labor force due to opioid addiction. Access to treatment must be widely available from drug rehab and medical interventions to non addictive alternatives to pain management. According to NIH, the most successful addiction treatment programs teach coping skills, mobilize community forces, and instill values toward pro social behaviors, such as meaningful jobs. Such efforts are a critical part of today's discussion for both economic and addiction recovery.

Too many American workers have been left behind because of addiction, to the detriment of small firms and entire families. To assemble the workforce that American businesses need to thrive, policy makers, educators, and businesses need to collaborate to find a solution to the opioid epidemic.

I look forward to today's hearing and I thank the witnesses for being here today. Thank you.

Mr. Chairman, I yield back the balance of my time.

Chairman CHABOT. Thank you very much. The gentle lady yields back.

And before I introduce our witnesses and go into our timing rules, I would like to recognize we have a new member of our Committee, Troy Balderson, who is from the great State of Ohio, which happens to be my State. He came to Congress replacing Pat Tiberi and prior to that, that District had been held by John Kasich, who is the current Governor of Ohio. And Troy was sworn in just last week. We are delighted that he was selected for the Small Business Committee, a most important Committee in the House. And his experience as a State Senator and being involved in two family-owned businesses will be a great asset to this Committee. So we welcome him here.

And if Committee members have an opening statement prepared, I ask that they be submitted for the record. Without objection, so ordered.

And I will take just a moment to explain our timing rules. They are pretty simple. You get 5 minutes. And there is a lighting system to assist you. The green light will be on for 4 minutes, the yellow light will come to let you know you have got a minute to wrap up, and then the red light will come on and we would ask that you try to end your statement. At that time, if you need a little time to wrap up, that is okay.

And I would now like to introduce the witnesses. And we will begin with our first witness, Mr. Ben Gitis, who is the Director of Labor Market Policy at the American Action Forum. He has written extensively about the opioid crisis and his work has been referenced by news publications such as the *Wall-Street Journal*, the *Washington Post*, and many others. We thank you for being here today.

Our second witness will be Ms. Katie Van Dyke, who is the Director of the Ohio Small Business Development Center, or SBDC, at Cleveland State University in Cleveland, Ohio. In this role, Ms. Van Dyke works to provide free training and advice to startups and entrepreneurs and existing businesses seeking to scale and grow. And we thank you for being here.

And I would now like to yield to the Ranking Member for introducing our third and final witness.

Ms. VELAZQUEZ. Thank you, Mr. Chairman. It is my pleasure to introduce Ms. Lisa Allen, President and CEO of Ziegenfelder Company, a privately held family owned business in Wheeling, West Virginia. Her company manufactures and sells Budget Saver popsicles. In the past 10 years the company has grown from 75 employees to over 300 across 3 locations. Ms. Allen has been widely recognized for her compassionate hiring practices and dedication to her local communities. Welcome, Ms. Allen. Thank you for being here.

Chairman CHABOT. Thank you very much. And we welcome you.

And, Mr. Gitis, you are recognized for 5 minutes.

STATEMENTS OF BEN GITIS, DIRECTOR OF LABOR MARKET POLICY AMERICAN ACTION FORUM; KATIE VAN DYKE, DIRECTOR, OHIO SMALL BUSINESS DEVELOPMENT CENTER LAKELAND COMMUNITY COLLEGE; LISA ALLEN, PRESIDENT & CEO, ZIEGENFELDER COMPANY

STATEMENT OF BEN GITIS

Mr. GITIS. Chairman Chabot, Ranking Member Velázquez, I am pleased to be here.

A few months ago I was in Boston for an opioid event and there was a construction business owner who told us the story where he was at a job fair and he told a room full of people if you can pass a drug test you have a job. Half the room left. We have heard stories like these from small business owners countless times. And it has made me interested in gauging just how many workers could be out of the labor force due to opioid dependence.

And so my work at the American Action Forum has focused on three main areas. First, I just wanted to identify what is the source of this crisis and why are overdose fatalities rising. And I found from 1999 to 2010 prescription opioids were really the source of rising dependence and rising overdose fatalities. The supply of prescription opioids grew, and along with it was a growth in prescription opioid involved overdoses. But in 2010 there was a pretty major shift in response to several policy and private sector initiatives. The supply of prescription opioids peaked and then began to decline. Along with it, overdose fatalities caused by those drugs flat lined, but overdose fatalities caused by illegal drugs like heroin and illegal synthetic opioids both spiked. And that is why today we are seeing an acceleration in the total number of opioid overdose fatalities.

Second, my research has quantified the number of workers nationwide who are out of the labor force and what that means for the U.S. economy. I estimate that between 1999 and 2015 the prime age labor force participation rate—that is people 25-54—that rate declined by 1.6 percentage points. That means that in 2015 two million workers were absent from the labor force due to opioids. It also means that it was a major drag on U.S. economic growth. The figure suggests that during that time period the U.S. economy lost out on \$1.6 trillion in real economic output. In other words, had these workers been in the labor force, the economy would have grown about 30 percent faster.

The research also indicates that female workers left the labor force slightly more frequently than male workers due to opioids. And it also suggests that small businesses were particularly heavily impacted by this crisis.

The third point that my research has focused on is estimating just how many workers are out of the labor force and what is the impact on the economy in every state due to the opioid crisis. And I found that the impact varies considerably by state. The two states that are by far the most severely impacted by this crisis are West Virginia and Arkansas. Their prime age labor force participation rates fell by 3.8 percentage points due to opioids. To put that in perspective, remember that the nationwide decline was 1.6 percent-

age points. So it is pretty clear that these states are being ravaged by the crisis.

Other states that are being negatively affected are Missouri, Kentucky—and then if you look at the states across the country, the states that tend to be more negatively affected are located in the southeast and the Midwest. So you have states like Ohio, where the participation rate declined by 2 percentage points, and also Louisiana, Tennessee are seeing a pretty negative effect. And I should also mention that New York also experienced a pretty significant decline in labor force participation, about 3 percentage points, due to opioids.

Now, I have a lot of data on a lot of states, but I will leave it there. And I am happy answer any questions you have.

Thank you.

Chairman CHABOT. Thank you very much. Ms. Van Dyke, you are recognized for 5 minutes.

STATEMENT OF KATIE VAN DYKE

Ms. VAN DYKE. Thank you Mr. Chairman , Ranking Member Velázquez, and members of the Committee. It is an honor to be here to speak with you today about how the opioid epidemic affects small businesses.

I am Katie Van Dyke, Director of the Ohio Small Business Development Center at Cleveland State University. I am proud of the work that we at the Small Business Development Centers do to support our local small businesses, who are the critical components and major contributors to the strength of our local economies.

The Small Business Development Center program provides assistance to small businesses and aspiring entrepreneurs through no cost business advising around business plan development, financial packaging, lending assistance, exporting, and market research. The SBDC Program is made possible through a collaborative partnership between our Congressional champions, the Small Business Administration, and state hosts. Last year alone the Ohio SBDC Program helped 722 entrepreneurs start their business. We worked with existing business owners to access \$230 million in capital. Our clients created or retained nearly 14,000 jobs, and we worked with more than 500 companies to increase export sales by \$99 million. But a significant challenge to Ohio's current business operations, in both the urban or rural communities, is Ohio's opioid crisis.

Here are the statistics, which is a snapshot of Ohio. In Ohio, from 2016-2017 overdose deaths due to opioids increased 39 percent and Ohio was the third largest increase among the states. Fourteen people die a day from opioid addiction. These deaths aren't the stereotypical "junkie" on the street, they are people involved in the community, your average American, workforce age. Sixty-eight percent of Ohio's injured workers were prescribed narcotics in 2016. Unintentional drug overdoses that may have started as a prescription for a surgery or injury, cost an average of \$5.4 million each day in medical and work loss costs in Ohio. Over 2,500 people of employment age, between ages 25 and 64, in Ohio died of an opioid overdose in 2017 alone. Half of Ohio businesses reported suffering consequences due to substance abuse, including

absenteeism and decreased productivity of their employees, and a shortage of workers who can pass drug tests.

There are many more examples of clients who are wondering just how to deal with the opioid crisis. It goes beyond the addicted employee or the shortage of applicants that can pass a drug test. Opioid addition is affecting employees and their families. This is happening everywhere. This is a problem all businesses are facing, or will face, in the near future at the rate we are going in Ohio.

Thankfully, there are many great resources that are on the ground working to educate employers and employees alike. But, there is a lot of work to do. Getting the information out quickly and reaching the small business owner is a challenge we face. The Ohio SBDC at Lakeland Community College created a workshop called "The Opioid Crisis in the Workplace: The Proactive Role Employers Can Take". This workshop was built to be easily replicable for each SBDC in the different counties to offer and customize with local subject matter experts.

We are also partnering with our local Chamber to hold this workshop in Cuyahoga County in October, and we can even offer continuing education credit to the HR professionals that attend. We are also working to share the resources from partners that are available to small businesses when we advise them. There is a drug free workplace training program offered by The Ohio Bureau of Worker's Compensation. And the Ohio Chamber of Commerce collaborated with WorkingPartners in Anthem to develop a free opioid toolkit containing webinars for customizable printable resources for use in the workplace.

The most important thing we as a community can do is to get everyone to talk about the facts, the staggering statistics, and breakdown the stigma that this is someone else's problem. It affects us all, whether directly or indirectly. As business advisors, if we can face this problem with as much knowledge as possible, we will be better armed for changing the statistics and creating a healthier workforce.

Chairman CHABOT. Thank you very much. Ms. Allen, you are recognized for 5 minutes.

STATEMENT OF LISA ALLEN

Ms. ALLEN. Good morning, Chairman Chabot and members of The Small Business Committee. Thank you for the opportunity to testify before you to discuss the opioid epidemic and to share our culture and our solutions for change in our business and in our communities. I hope that by sharing our story we can make a dent in this terrible drug epidemic.

My name is Lisa Allen; I am the President and CEO of The Ziegenfelder Company, a privately held, family owned business located in Wheeling, West Virginia. We "make people smile with really cool treats" manufacturing Budget Saver twin pops and other frozen items.

Since 2003, Ziegenfelder has averaged 12 percent year-over-year growth in a grocery category that has been flat to declining, making Budget Saver products the market disrupter. With three manufacturing facilities in West Virginia, California, and Colorado, operating continuously, our Budget Saver products can be found in gro-

cery stores in nearly every community across the country. Last year we proudly sold over 40 million bags of pops into homes in America.

While we are proud of this growth, the source of my pride comes from our team we call a Tribe. We are individuals, families, and a community linked by our culture, our practices, and our vivid vision. All members of our Zieggy Tribe benefit from our committed, compassionate hiring practices. Our doors are open to nearly anyone who is willing to work hard, grow and develop, and can commit to our Zieggy Essentials.

Perhaps our hiring practices emerged from our culture and our commitment to our Tribe. Yet, we intentionally refocused our hiring practices from the harsh reality of our shrinking workforce caused by the devastating effects of drug addiction, which knows no bounds. Addicts are our sons, our daughters, our mothers, our fathers, and our friends. Diversity of potential talent and intellect are interrupted and hijacked by drug addiction. Yet with hope, recovery, and connections, a person's resilient spirit can rise again.

At Ziegenfelder we offer a safe environment where Tribe members have a place to recover and prosper. We feel validated when our employees are in trouble, they look inward to each other and our leaders and ask for help. When our Tribe is hurting, we are hurting too. We take an active role in developing connections with people in our Tribe, demonstrating our care for each person. Intentionally connecting, asking about their lives, and building relationship with people who feel isolation or have lost connections can make the difference in addiction relapse and re-incarceration.

Just this last Saturday, I subtly honored one person celebrating three years clean and another who had their ankle bracelet removed, with a hug and a high five. Hugely meaningful milestones in recovering and in their changing lives.

In our Zieggy Tribe, loosely structured peer groups have emerged, addressing issues they surface and work together to solve. We work with social service agencies, our medical community, law enforcement, parole and probation officers on a case by case basis, working to employ and assist recovery and reentry. We have visited state and federal prisons, we have participated in job fairs inside jails, in re-entry simulations. And in partnership with the West Virginia Division of Corrections and Rehabilitation, members of our Tribe have become certified Addict Recovery Coaches. We work closely with the halfway houses in Denver, Colorado. We are working with the West Virginia Department of Corrections on a pilot work release project with our Northern Regional Jail. Currently incarcerated men with excellent conduct records at the tail end of their sentences, walk three blocks to our facility, work an eight hour shift and walk back to the jail. A win-win.

While we are compassionate and have open hearts, we are not foolish. We have customers and a business to run. We are grateful that most of our Tribe is also committed to protecting our business and each other. We are a close-knit, trusting community and people look out for each other. Inclusion is our strength and our competitive advantage.

Standing idle, often in judgment of others, doing little but measuring and analyzing statistics does not erase mistakes nor change

the spiraling impact of addiction. Even worse, it may perpetuate crime and other debilitating problems. We believe a job and connections are the best antidote. And this belief has been affirmed over and over again by our Tribe members.

The drug epidemic is devastating, yet we believe in the resiliency of the human spirit. It takes courage to stand up and make change, it takes courage to believe, and it requires courage to take the first step. We will continue to embrace the opportunity to demonstrate and reward this courage.

Our results are not without failures. This is messy, and unfortunately we have many failures. However, we learn from those disappointing circumstances and we know the next person deserves our open hearts just as much as the last. I am proud of our Tribe. Drug addiction and associated social problems know no bounds. We are working to combat this enemy one person, one family at a time. We know to each person that we touch and we can help, we make a difference.

Thank you for this opportunity to share our story and I look forward to your questions.

Chairman CHABOT. Thank you very much. And I will recognize myself to begin the questioning for 5 minutes

And, Mr. Gitis, I will begin with you. You had mentioned in your testimony that you felt that small businesses were particularly affected as opposed to larger companies by this opioid addiction. Why is that and how is that affecting small business across this country?

Mr. GITIS. So small businesses, by the sheer quantity of them, a lot of workers are employed by small businesses. So just on that basis alone, they will be negatively affected by this crisis. A rough estimate suggests that about 45 percent of these absent workers, or about 900,000 of them would have been employed by a business with under 50 workers.

And it is also important to keep in mind that small businesses have fewer resources in terms of attracting employees, so they have to rely on things like job fairs and all that. And so that would also be difficult for them.

Chairman CHABOT. Thank you. Ms. Van Dyke, I will go to you next. If a client comes to the Ohio SBDC and has a problem with opioids in the workplace, could you walk us through the steps that you would take in trying to help them?

Ms. VAN DYKE. Sure. My biggest role in that situation would be to connect them with the resources available. Unfortunately, small businesses do not have a lot of resources for maybe an in house HR, but there are quite a few resources in Ohio. For example, Working Partners is a consulting firm that would help them. And the Ohio Bureau of Worker's Compensation could help them to implement a drug free workplace. Maybe not at that point, but we could also educate them and educate the other employees. We would also need to walk them through understanding, possibly helping that employee to get into rehab and offering them a second chance based on getting clearance from a counselor and going through some rehab and recovery.

Chairman CHABOT. Okay. Thank you very much. Ms. Allen, I will go to you next. Your story and your commitment to your com-

munity is very inspiring. What are the most rewarding and most challenging parts of hiring recovering addicts and others reentering our community?

Ms. ALLEN. Well, thank you for your question. Rewarding is seeing success, it is watching people who feel like they have no hope, came from a bad situation, are reentering and have no home to go to, finding a home with us, finding a work home with us, the opportunity to earn an income and to make connections. Fortunately, just by chance just outside of my office is the time clock for our business, and so I get to see our folks every single day and I can have conversations and build relationships. That is incredibly rewarding. And I think it gives people the connection that they need that they don't have.

The most difficult is knowing that somebody didn't come back to work, didn't show back up to work, to know that we have lost the life of past co-workers due to this addiction. That is the hardest part, but we plug through.

Chairman CHABOT. Thank you.

Ms. ALLEN. You are welcome.

Chairman CHABOT. Would anybody like to cover any concerns that companies might have, liability issues if they are hiring folks who may have struggled in the past and have been facing challenges of addiction?

Ms. Van Dyke, would you like to talk about that?

Ms. VAN DYKE. Sure. As a small business owner, like I said before, you have limited funds to spend on an HR or HR policies, but there are, like I said, free resources out there so that you can develop programs so that when you are bringing someone on board that maybe has some previous history with drug abuse or drug addiction, that you can put them into a program and know that all of your employees are educated. And they are also affecting their families by bringing the education home and talking to their kids and learning more about the addiction and possible—who of your employees could be more addicted than others.

It is also about not only educating your employees, but having, like I said, the policies in place, things that are going to protect you as a business so that there are no liability issues. If an employee does injure someone because of the addictions, the come to work addicted, maybe they are high or something and they have an accident at work, knowing how to deal with that in a legal—and having your HR policies is really important.

Chairman CHABOT. Thank you very much. My time is about to expire, so I will turn to the gentleman from Florida, Mr. Lawson, who is the Ranking Member of the Subcommittee on Health and Technology for five minutes.

Mr. LAWSON. Thank you, Mr. Chairman. And this question will be to everyone on the Committee. How can the federal government provide support to small businesses who hire those recovering from addiction? And what other resources exist for those companies outside of the government? And I would like to have all of you all to respond for that, respond to it.

Mr. GITIS. I am not sure what is available for small businesses in order to help their employees treat addiction. I am not an expert

on health issues. I am more focused on the workers themselves. But that is something I can look into.

Mr. LAWSON. Well, from the standpoint of federal government, you have no recommendations?

Mr. GITIS. Well, just in general overall, there needs to be a more comprehensive approach than what has been employed so far. Around 2010 there was just a focus on prescription opioids and now we have accelerating overdose tests with other types of drugs. And so there needs to be more focus on treating actual addiction and also addressing the unlawful drugs, like illegal synthetic opioids and heroine.

Mr. LAWSON. I will go to Ms. Van Dyke.

Ms. VAN DYKE. There are many things the government can do, especially focusing on spreading the word. Small businesses sometimes have a hard time approaching or asking for help, so just supporting the education and getting the word out there and talking about the issues is very helpful. Having easy access to resources is very helpful for small businesses so that they can begin to understand the addiction and education around it and get it out there to their employees.

Mr. LAWSON. Okay. Ms. Allen?

Ms. ALLEN. So my answer might be a little bit different. I think as a small business owner, I think small businesses—for us speaking specifically—I would much rather the federal government rather than support us, I think the problem is so pervasive that I would rather whatever money you would be interested in giving us, put into education, into the education system, and into mental health issues because addiction is an outcome to me in a lot of cases. Addiction is the result of isolation, of mental health issues, of lack of education, a lack of connections, a lack of the humanness that need to exist in our world. So I think our education is a great place to start and then more emphasis on another great place, in the corrections system. Preparing people who are leaving the Department of Corrections so that they know how to get out and when they get out what to do, where to do, how to get a job, how to hold a job, all those kinds of things.

Mr. LAWSON. Okay. And it is obvious from what you have stated that—do you find any help that comes from SBA?

Ms. ALLEN. We don't specifically, no.

Mr. LAWSON. You don't specifically know? Do any of you all know whether SBA provides any educational opportunities for small businesses besides just applying for a loan or something of this nature?

Ms. VAN DYKE. I can answer that. We are powered by the SBA. Basically our funding provides us to provide free technical support. So we feel like we are the soldiers on the ground because of our SBA grant. So we are out here as small business advisors working with small businesses and finding those resources for them to make their lives a little easier. Because there are quite a few resources for small businesses. It is just that we have a hard time marketing, obviously, from our funding. We are focused on working.

Mr. LAWSON. So with the few seconds I have left, do you think there will need to be more emphasis from SBA to small businesses

educational, the emphasis on how to help small businesses with this crisis?

Ms. VAN DYKE. It should be an initiative for sure.

Mr. LAWSON. Okay. Mr. Chairman, I yield back.

Chairman CHABOT. The gentleman yields back. Thank you very much. The gentleman from California, Mr. Knight who is the Chairman of Subcommittee on Contracting and the Workforce, recognized for 5 minutes.

Mr. KNIGHT. Thank you, Mr. Chairman. This is a good hearing. I wish we didn't have to have this hearing, but it is a good hearing to see what is happening in America.

You know, in my district we have a lot of aerospace and the number one thing is when you get your DoD clearance, obviously you cannot have any drug addictions, use, or anything. Living in California we have new laws and new things that are going on out there that are different—and I can probably always say that—but they are making it so that some of our young folks think that it is okay to do a certain drug and then they can get their clearance. Obviously that cannot happen. So we are trying to educate young folks.

We are also having a problem, especially in my district and others in southern California, to find people that can pass a drug test to just show up for work. And that is one of the biggest issues when we go out on a job fair or something like that is the first thing is we want you to pass a drug test for certain jobs.

So my questions are more on line with that. And, Ms. Allen, I liked your testimony and I liked the way that you framed it. We want to help people and we want to give them a chance and if they take that chance, then great. If they don't, we also know we have got to run a business, we have got to make sure the business makes money for all the people that are employed here. And it continues on. So if you take advantage of that chance, then great.

So I would like to hear some of the kind of the stories—not the stories, but tell me what you have done when you have found somebody who has come into work and now you have found that they haven't exactly followed the rules. What is the process there?

Ms. ALLEN. Well, thank you, Mr. Knight, for your question. The process is typically those things surface for us—as I stated the kind of ad hoc peer groups that have developed, the people helping people—the information surfaces, it works its way through our organization, typically gets quickly to our plant management and our HR department and if the person is willing and interested in assistance we work with our social service agencies, we work with counselors. Sometimes once it comes up they just disappear, they don't come back. That happens a lot, unfortunately. But there are connections. We are in a small community. We are in little Wheeling, West Virginia. We have a population that is, you know, 25-35,000 people and so a lot of people know each other. And so the connections are there. Typically—

Mr. KNIGHT. And you might be the biggest employer.

Ms. ALLEN. Pardon me?

Mr. KNIGHT. You might be the biggest employer. Is that close?

Ms. ALLEN. Well, we are not because we have two other facilities. But we are a large employer in the community, about 150 peo-

ple locally. And people connect. So we rehire as well. So if somebody leaves, disappears, you know, we don't know where they are for a few weeks and then they come back and they share their story and we talk. And we don't drug test on the front end anymore. What we do though is we have done a lot of training on reasonable suspicion. So we know what to look for, we know signs to look for and we pay attention. And there is word, you know, amongst our Tribe. So we kind of self-regulate.

Mr. KNIGHT. So it is interesting to hear business owners talk about trying to help people with a drug addiction, and what you do and what you can't do. Obviously if somebody came in and they were working for me and I caught them stealing something I would fire them right there. With a drug addiction you can hear—and I hear this from businesses all the time—we are trying to help you, you have got to help yourself. So if you, you know, leave for those two weeks you come back and you explain what went on and we are still going to have some compassion for you, but understand that we want you to get moving. And so there is some tough love there to.

Ms. ALLEN. There has to be.

Mr. KNIGHT. In my previous life I was a Los Angeles police officer and we had the DARE program. And when I started in 1990 the DARE program had been going for five, or six, or seven years, or something like that. It was very heavy into the school districts and making sure the kids knew if you do this you have already put yourself in a difficult situation. So don't start, don't think that you can just do it and then everything will be okay, you will just not do it again.

I think that we should go back to a lot of these types of programs in America, whether they are local or some big just say no DARE program that gets kind of a universal American look at drug use. Drug use in America has been one of our greatest black eyes, as it is, and we have got to figure out new and innovative ways. And I think some of these programs that infiltrate locals and go around the whole country is the way to do it.

Thank you, Mr. Chairman. I yield back.

Chairman CHABOT. Thank you. The gentleman's time has expired. The gentleman from Pennsylvania, who is the Ranking Member of the Subcommittee on Growth, Tax, and Capital Access. You are recognized for 5 minutes.

Mr. EVANS. Thank you, Mr. Chairman. Mr. Chairman, I would like to thank you and the Ranking Member for just organizing this panel. It could not be more appropriate at this time.

Ms. Allen, what supports have you found to be the most useful in decreasing the likelihood of relapse?

Ms. ALLEN. Connections. Making, building relationships. In my experience, what we have seen and what I have heard, drug addiction creates isolation. A lot of what Mr. Knight was talking about, about stealing, the two kind of go together a lot of times. So people find themselves very isolated. They don't feel connected to anybody. So by building connections it makes people feel important, they feel loved, they feel included. And with that, they ask themselves—I just had this conversation the other day—they ask themselves, do I want this life or do I want this life. These people are nice to me

and they take care of me and they care about me. I think I will go another clean day, I will go another clean day.

And it is a flywheel, it is truly a flywheel. We find support with our counseling services in our community, we find support with the social service agencies. But I think it is really just helping people with connections and letting them know that people care about them. One of the things that I feel very strongly, and we feel very strongly in our business, is those words that haven't always been hard business terms, like care and commit and compassion, those are true leadership skills and those are true business terms. And we use them often and frequently and I think it helps with the connections and it helps people overcome

Mr. EVANS. As sort of a follow up, obviously you cannot legislate connections. That is the rumor I hear. I don't know, maybe somebody who has been around here longer than I can figure that one out. Then what are the conditions that sets it up to just understand what you just expressed, which I assume you learned from experiences?

Ms. ALLEN. Gosh, I wish I had a good answer for that. I think it is conversations like this, to be honest. I think it is conversations that recognize that this is a human issue and people are resilient. And addicts don't want to be addicts. I mean I have never experienced it myself, thank goodness, but I don't believe that somebody in such a miserable state is there by choice. So I think it is incumbent upon all of us to recognize the humanness of it and to help people through funding sources, through, as I said before, helping people who are leaving incarceration after whatever their length of term was. Most of them, a lot of them, the ones I have experienced, really do want to change, really do want to change. I spoke about the work release program we have with our local jail. We have one gentleman, I just learned yesterday or the day before, I approached him and he told me that he has two bachelor's degrees and a master's degree in chemical engineering. And he is a pretty good mechanic too. And he gets out soon, and he likes his job.

Mr. EVANS. Thank you.

Ms. ALLEN. So they are no different than you and I, other than that they made a bad choice, a lot of bad choices. But they are human and they are intelligent and they have value and they are labeled for life. And I don't know that that is necessarily fair.

Mr. EVANS. Thank you. Mr. Chairman, I wonder if with Ms. Van Dyke I can get a question in or?

Chairman CHABOT. Sure.

Mr. EVANS. Thank you.

Chairman CHABOT. Yeah, you have got time.

Mr. EVANS. You discuss efforts that the SBDC is taking to assist employers who are struggling with employees impacted by the opioid crisis. What, if any, supports are you providing to assist in filling the skills gap problem that small business have because of the opioid epidemic.

Ms. VAN DYKE. Thank you for your question, Mr. Evans. That is a tough one. We rely heavily on Ohio Means Jobs. They have a wonderful massive data base full of employees seeking jobs. So when our small businesses are looking for employees we work with Ohio Means Jobs to help them kind of sift through the data base

of people looking. But, again, I just think it goes back to education around our small businesses and what they are looking for in skills versus what is available.

Mr. EVANS. Thank you, Chairman.

Chairman CHABOT. Thank you, thank you. The gentleman's time now has expired. The gentleman from Kansas, Dr. Marshall, is recognized for 5 minutes.

Mr. MARSHALL. Okay, thank you, Mr. Chairman. Maybe I want to focus on prevention for a second, see if you all have any suggestions. You know, I am a physician myself. It is said that 80 percent of people on opioid addiction problems started off with a legal physician prescription. I think that number is pretty high, but I am going to assume it is right. So across my district I am seeing clinics, physicians develop protocols how to handle chronic pain. That kind of keeps some of the patients from doctor shopping, bouncing around. And the next sort of protocol is how to handle acute pain, post-operative pain, those types of things.

Are you all seeing that happening in any of your home states, doctors are taking responsibility to do this? Ms. Van Dyke, are you seeing some of that?

Ms. VAN DYKE. Yes. And I am not a medical official at all, but in Ohio I know we use the AORRS system, which a doctor can get information on previous prescriptions and other things for each client that they have so that they are better understanding what they have been taking and who they have been seeing. I think that is very helpful. And I think that the changes in the medical community and the knowledge that they have of the addictions that are happening because of the prescriptions is definitely really impacting and lessening the opioid prescriptions that are just going out to everybody. It has definitely made a difference in Ohio.

Mr. MARSHALL. Okay. Mr. Gitis, are you seeing anything happening and improving in that area?

Mr. GITIS. Yes, you can see it in the data, changing behaviors, and also in response to changing attitudes and policies. The supply of prescription opioids in the United States has been declining each year since 2010 by about a 5 percent rate. So that is good news. And I think it would help limit the number of folks who are exposed to opioids in the first place. The tricky part is addressing those who are already addicted and those who are using the illegal substances.

Mr. MARSHALL. Okay. Is there anything else that you all can think, whether it would require—I don't care where the—I actually would prefer staying away from the federal government dictating new rules. What else can the medical folks do that they are not doing now to decrease the number of people becoming addicted to narcotics? Are you seeing any better practices out there? Anything else that you are seeing?

Go ahead, Ms. Allen.

Ms. ALLEN. I can only speak from personal family experience, that it appears that it is well regulated and well controlled. So that possibly, you know, obviously it doesn't create addiction or cause addiction. I think in our family case, you can see the process working. I think what is happening though is it is to Mr. Gitis' point, it is not the prescription opioids anymore, it is the synthetics that

are on the street. It is the synthetics that are on the street that are causing the greatest devastation at this point. I can't speak to that statistically, but that is what I feel.

Mr. MARSHALL. Yeah, I think that is absolutely right. You know, fentanyl is the big synthetic drug that China is making and shipping over by our U.S. Postal Service and for some reason our U.S. Postal Service doesn't know where the package is coming from. And one of the things we have recently done is passed legislation to hold them accountable as well. And people just don't realize how powerful fentanyl is, 50-100 times stronger. And that is why most of the people are dying, they are used to taking 5 or 10 percocets to get high, and you take 5 fentanyls and you are done. It is so strong that drug dog walking by and sniffing it can kill the dog itself. So I think we are all becoming more and more aware of that as well.

I guess we will spend the last minute on treatment plans. What is the most effective thing that you are seeing? Ms. Allen already mentioned relationships, having relationships. You know, we are funding telemedicine more, we certainly do think mental health is a big culprit here. I think we are doing more in this Congress to reorganize mental health than since John F. Kennedy. So I am proud of that. Do you guys see any other thing succeed, what is working? Ms. Van Dyke, what do you think is working?

Ms. VAN DYKE. Sure. I think on the small business side of things getting small businesses to understand that you don't have to fire that person that has the addiction problem. If they go through proper rehab through an accredited source and they work with a counselor they are less likely to use again. And you don't have to retrain them, you can bring them back once they have, you know, been cleared through a counselor. And they are ready to go again. And giving second chances and helping small businesses to understand that giving second chances to people is the way to go, for the most part.

Mr. MARSHALL. All right. I think my time is expired. I yield back. Thank you.

Chairman CHABOT. Thank you very much. The gentleman's time has expired. The gentleman from Ohio, Mr. Balderson. It gives me great pleasure to yield 5 minutes to you if you would like to ask questions. Don't screw it up.

Mr. BALDERSON. Mr. Chairman, thank you very much. I really don't have any questions. I will comment on what Ms. Van Dyke says and some of the things that we have done in the State of Ohio. And Ms. Allen is only approximately about 45 minutes away from my home county, also, so down in Wheeling, West Virginia. But, you know, just mostly what Ms. Van Dyke said about what we have done in the state legislature since 2009 with the OARRS system and many things. And I think we need to continue doing that.

As far as relationships that Ms. Allen said, it is something that we don't talk about in communicating with our employees, and the importance of that and to help them. I mean employers want their employees to be successful, because if they are successful the business is successful also. So those relationships and to communicate

with those employees and getting them the help that they need I think is vital. And that is what makes it all work.

So I look forward and I am glad to be honored to sit on this panel and hear this. I think it was very interesting this morning. So thank you all very much for being here.

Chairman CHABOT. Thank you very much. The gentleman yields back. And, again, we welcome him to the Committee. And I want to thank our panel here this morning for your testimony. I think it has been very helpful to all the members that were here in sharing your valuable insights. The opioid crisis is affecting communities really in every corner of our nation. It is clear that this epidemic is a monumental problem, but our witnesses today have demonstrated how small businesses can work with our communities to be a part of the solution. So we thank you for helping us to deal with this. The Committee will use today's conversation as a way that we can continue to examine potential ways to help small businesses find the qualified workers that they need to grow their businesses.

So, again, thank you.

I would ask unanimous consent that members have five legislative days to submit statements and supporting materials for the record. Without objection, so ordered.

And if there is no further business to come before the Committee, we are adjourned.

Thank you very much.

[Whereupon, at 11:54 a.m., the Committee was adjourned.]

A P P E N D I X

The Workforce and Economic Implications of the Opioid Crisis

Testimony presented to the
U.S. House of Representatives
Small Business Committee

Ben Gitis*
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American Action Forum

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*The views expressed here are my own and do not represent the position of the American Action Forum.

Introduction

Chairman Chabot, Ranking Member Velázquez, I am pleased to have the opportunity to appear today to discuss the opioid epidemic. My testimony will focus on three key points:

- Trends in overdose fatalities suggest that while prescription painkillers likely caused most of today's dependency, the nature of the epidemic has changed in recent years with opioid-involved overdose deaths now spiking because of heroin and illegal synthetic opioids.
- Between 1999 and 2015, opioids reduced prime-age labor force participation by 1.6 percentage points (or 2 million workers as of 2015) and, as a result, slowed the annual real (inflation-adjusted) economic growth rate by 0.6 percentage points and cumulatively cost the U.S. economy \$1.6 trillion.
- The impact of opioids on labor force participation and economic growth varies considerably by state, with the largest negative effects occurring in West Virginia, Arkansas, Missouri, Georgia, New York, and Kentucky.

I will discuss each of these points in additional detail.

Using Overdose Fatality Data to Understand the Opioid Crisis

Fueled by the proliferation of opioid prescriptions and exacerbated by an inundation of illegal and even more dangerous opioids, addiction has grown rapidly in recent decades. The result has been an abrupt escalation in drug overdose deaths: In 2017, 47,872 Americans died (131 per day) from opioid-related drug overdoses, according to the Centers for Disease Control and Prevention's (CDC) preliminary estimate.¹ Since 1999, the number of opioid-involved overdose fatalities occurring annually has risen by 495 percent, or 10 percent per year.² In recent years, the growth of annual opioid overdose fatalities had also been accelerating: 8 percent in 2013, 14 percent in 2014, 16 percent in 2015, and 28 percent in 2016.³ As a result, opioids have contributed to the first decline in U.S. life expectancy since the height of the AIDS epidemic in 1993.⁴

The CDC's recent preliminary data indicate that opioid-involved overdose fatalities rose by 13 percent in 2017.⁵ Although opioid-involved overdose fatalities continued to rise to a new record level in 2017, the fact that the growth rate decelerated to the lowest level since 2013 tentatively suggests the opioid epidemic could be tapering.

While many argue that the rapid rise in opioid-involved overdose fatalities is tied to poor economic outcomes (e.g. slow job and wage growth), evidence suggests economic

conditions only account for a small portion of the increase in overdose deaths. Rather, most of the rise is likely linked to the availability and relatively low cost of opioid drugs.⁶

Individuals are generally first exposed to opioids when doctors prescribe legal opioid painkillers, and trends in overdose fatalities suggest that growing access to prescription opioids built the foundation of opioid dependency in the United States. Yet, the nation's opioid dependency became a crisis when policy efforts effectively restricted access to prescription opioids. As access to prescriptions declined, users likely turned to more potent illegal opioids, which caused overdose fatalities to accelerate.

Access to Prescription Opioids

A previous AAF study compared the supply of prescription painkillers to opioid-involved overdose fatalities between 1999 and 2016.⁷ It found that the quantity of opioids prescribed by doctors rose steadily between 1999 and 2010, and has since declined considerably. Starting in 1999, morphine milligram equivalent (MME) prescribed per capita, a standardized metric that aggregates all types of prescription opioids, rose 14.3 percent per year, until it peaked at 782 MME per capita in 2010.^{8, 9} After 2010, the supply of prescription opioids declined 4.3 percent annually, and in 2016 doctors prescribed 599 MME per capita.

This shift corresponds with several major efforts intended to restrict access to prescription opioids starting around 2010. First, the Drug Enforcement Administration (DEA) began aggressively investigating actors associated with the epidemic, including wholesale companies that distributed pills to unlawful doctors and pharmacies that gave out pills in exchange for cash.¹⁰ A large part of the DEA's effort was aided by the expansion of prescription drug monitoring programs, which track sales of prescription drugs.¹¹ Second, in 2009, the federal government began implementing the Ryan Haight Act. This made it illegal to distribute controlled substances online and required doctors to see patients in person prior to writing a prescription.¹²

Third, in 2010, the American Pain Society¹³ as well as the Department of Veterans Affairs and the Department of Defense¹⁴ issued guidelines to encourage doctors to prescribe fewer opioids. Fourth, in 2010, drug manufacturers released a reformulated version of OxyContin (a common prescription opioid), making it more difficult to abuse.¹⁵ The corresponding decline in the quantity of prescription opioids suggests that these efforts may have effectively restricted their supply.

Shifts in Overdose Fatalities

Notably, the decline in access to prescription opioids starting after 2010 corresponded with an acceleration in the growth of annual opioid-involved overdose fatalities. In

particular, the annual growth rate of opioid-involved overdose fatalities occurring each year rose from 9.1 percent before 2010 to 12.3 percent after 2010.

How could overdose fatalities occurring each year accelerate if prescription painkillers have become far more restricted? To answer this question, we examined overdose fatalities by the three main types of opioids: prescription painkillers, heroin, and illegal synthetic opioids.

From 1999 to 2016, the growth in prescription opioid-involved overdose deaths mirrored the growth in the supply of prescription opioids discussed above. In particular, between 1999 and 2010, prescription opioid-involved fatalities grew at a 13.4 percent annual rate. But after 2010, when the supply of prescription opioids declined, growth in overdose fatalities involving those drugs slowed considerably. From 2010 to 2016, prescription-involved fatalities rose by only 4.8 percent per year. Moreover, preliminary data indicate that the number of overdose fatalities involving prescription painkillers rose by only 0.5 percent in 2017.¹⁶ This suggests efforts that successfully restrict access to prescription opioids may have also limited the fatal consequences of those drugs.

While prescription-involved fatalities stagnated, growth in the total number of opioid-involved fatalities nevertheless accelerated. Significant evidence suggests that with few affordable and effective addiction treatment options¹⁷ and a more limited supply of prescription opioids, users likely began turning to cheaper and more potent illicit opioids as a substitute.¹⁸ The overdose fatality data also indicate this substitution, as overdose fatalities tied to heroin and illegal synthetic opioids rose rapidly after 2010.

The decline in prescription opioids coincides with significant growth in overdose fatalities involving heroin. From 1999 to 2010, overdose deaths involving heroin rose by only 4.1 percent per year. In 2010, 3,036 people died from an overdose involving heroin, while 10,943 died from a prescription opioid-involved overdose. But after 2010, when the supply of prescription opioids began to decline, the number of heroin-involved overdose fatalities grew by 31.2 percent per year. Just five years later in 2015, heroin-involved overdose fatalities surpassed the number of fatalities involving prescription opioids. In 2016, there were 15,469 heroin-involved overdose fatalities, nearly 1,000 more than the number of overdose fatalities linked to prescription opioids.

Research suggests that the reformulation of OxyContin in 2010 could be a major factor driving the rise in heroin fatalities, as users began turning to heroin as a substitute. One study found that up to 80 percent of the rise in heroin-involved overdose deaths since 2010 could be due to this change.¹⁹

The acceleration in overdose fatalities involving illegal synthetic opioids (e.g., fentanyl and carfentanil) also corresponded to efforts to restrict prescription opioids. From 1999 to

2010, synthetic opioid-involved overdose fatalities rose 13.7 percent per year. Between 2010 and 2016, that growth rate jumped to 36.5 percent. Most striking is the rapid growth in overdose fatalities involving synthetic opioids in just the last few years. Between 2013 and 2016, the number of opioid overdose deaths involving synthetic opioids grew 84.2 percent each year. In 2013, 3,105 people died from a synthetic opioid-involved overdose. By 2016, just three years later, overdose deaths linked to synthetic opioids outnumbered those involving heroin and prescription opioids. With 19,413 overdose fatalities in 2016, synthetic opioids are now the largest reason for the recent spike in opioid-involved overdose deaths. Additionally, preliminary data indicate that illegal synthetic opioid-involved overdose fatalities increased 47.6 percent to 28,649 in 2017, accounting for nearly the entire rise in all opioid-involved overdose deaths that year.²⁰

Overall, these data illustrate that the nature of the opioid crisis has changed in recent years. From 1999 to 2010, prescription painkillers were responsible for most of the rise in opioid-involved overdose fatalities. But as access to those prescriptions became more limited, users began turning to illegal and far more potent drugs, like heroin and synthetic opioids. As a result, overdose fatalities involving those drugs have accounted for the recent acceleration in opioid-involved fatalities.

The Impact of Opioids on the Labor Force, Economy, and Small Businesses Nationwide

While the human toll of the opioid crisis is unquestionable, rising opioid dependency is also likely impacting the nation's labor market and economy. Workers on opioids are less productive; employers in opioid-affected areas have difficulty finding dependable workers and filling job openings; and, perhaps most important, working-age adults addicted to opioids are often absent from the labor market.

A report by Alan Krueger, former Chairman of the White House Council of Economic Advisers, found that opioids are likely pulling prime-age workers (those ages 25 to 54) out of the labor force. In particular, Krueger found that nearly half of the prime-age men who are not in the labor force take pain medicine daily. Of those taking pain medicine daily, two-thirds use prescription painkillers.²¹

Moreover, the rise in opioid dependency since 1999 directly corresponds with a decline in the prime-age labor force participation rate. Between 1999 and 2015, per capita prescription opioids rose 256 percent, or 8 percent annually. During that same period, the labor force participation rate of prime-age workers declined from 84.1 percent to 80.9 percent. For prime-age men it declined from 91.7 percent to 88.3 percent, and for women it declined from 76.8 percent to 73.7 percent.

While there are many reasons the prime-age labor force participation rate has been declining,²² opioid dependency could be a primary cause. Dr. Krueger found statistically significant evidence that the rise in opioid prescriptions is tied to the decline in the prime-age labor force participation rate for both men and women. His results suggest that the increase in opioid prescriptions between 1999 and 2015 could account for 20 percent of the decline in the prime-age male and 25 percent of the decline in the prime-age female labor force participation rate over that period.²³

A recent American Action Forum study applied Dr. Krueger's results to labor force and productivity statistics to estimate the number of workers absent from the labor force due to opioids and the resulting loss of economic growth.²⁴ The study found that in 2015, over 2 million prime-age individuals were not in the labor force due to opioids, and from 1999 to 2015, the loss of labor slowed the annual real gross domestic product (GDP) growth rate by 0.6 percentage points and cost the U.S. economy roughly \$1.6 trillion.²⁵

The following provides more detailed information on the nationwide impact of opioids on labor force participation, work hours, economic growth, and small businesses.

Labor Force Participation

Table 1 contains the decline in the prime-age labor force participation rate due to opioids, and the resulting number of workers absent from the labor force as of 2015.

Table 1: The Impact of Opioids on Prime-Age Labor Force Participation, 1999-2015

Gender	Prime-Age Labor Force Participation Rate, 1999-2015 (in percentage points)	Workers, 2015 (in thousands)*
Total	-1.6	-2,006.1
Men	-1.4	-860.0
Women	-1.8	-1,146.2

*Estimates for each gender may not add to total due to rounding.

The rise in opioid prescriptions from 1999 to 2015 led the labor force participation rate for both prime-age men and women to decline substantially. Opioids lowered the participation rates of prime-age men and women by 1.4 percentage points and 1.8 percentage points, respectively. The 1.4 percentage point decline in prime-age male labor force participation equates to roughly 40 percent of the overall decline in prime-age male labor force participation between 1999 and 2015. For prime-age women, the 1.8 percentage point decline tied to opioids equates to almost 60 percent of the entire decline in their participation rate.²⁶

The decline in the prime-age male labor force participation rate means that, in 2015, 860,000 men were absent from the labor force due to opioids. The steeper decline in prime-age female labor force participation means that even more women were absent from the labor force due to opioids. In 2015, opioids kept over 1.1 million women out of the labor force. Together, the growth in per capita prescription opioids from 1999 to 2015 caused the total prime-age labor force participation rate to decline by 1.6 percentage points. That decline translates to a loss of 2 million workers as of 2015.

Work Hours

From 1999 to 2015, the rise in opioid dependency and resulting decline in prime-age labor force participation cumulatively cost the economy nearly 30 billion work hours. Table 2 contains the cumulative loss of work hours associated with the decline in labor force participation.

Table 2: Impact of Opioids on Work Hours, 1999-2015

Gender	Work Hours, Cumulative 1999-2015 (in millions)
Total	-27,001
Men	-11,593
Women	-15,408

As the number of individuals absent from the labor force due to opioids grew, the economy lost more and more work hours. Between 1999 and 2015, the loss of workers cost the U.S. economy over 27 billion work hours. Since opioid dependency led more women out of the labor force than men, the majority of the lost work hours was attributed to the decline in female labor force participation. Specifically, the economy lost 15.4 billion work hours due to absent female workers, and 11.6 billion work hours due to absent male workers.

Real Economic Growth

The tens of billions in lost work hours resulted in a major drag on U.S. economic growth. Table 3 contains the cumulative reduction in real economic output due to the opioid crisis and the associated decline in the real GDP annual growth rate.

Table 3: Impact of Opioids on Real Economic Growth, 1999-2015 (in 2009 dollars)

Gender	Real Output, Cumulative 1999-2015 (in billions)	Annual Real GDP Growth Rate, 1999-2015 (in percentage points)
Total	-\$1,574.5	-0.6
Men	-\$676.0	-0.3
Women	-\$898.5	-0.3

From 1999 to 2015, the opioid-induced decline in labor force participation was a major cost to the U.S. economy. During that timeframe, the U.S. economy cumulatively lost nearly \$1.6 trillion in real economic output, which translates to the annual real GDP growth rate slowing by 0.6 percentage points. To put this loss in perspective, from 1999 to 2015, real GDP grew 2 percent annually. Had opioids not drawn 2 million prime-age workers out of the labor force, real GDP would have grown 2.6 percent each year, a 30 percent increase.

Since more women left the labor force due to opioids than men, the decline in female labor force participation resulted in a larger portion of the economic cost. The decline in female labor resulted in a cumulative loss of \$898.5 billion in real output between 1999 and 2015. The decline in male workers cost the economy \$676 billion. The difference, however, is not large enough to translate to a substantially different decline in the economic growth rate, as the lost labor associated with each gender slowed the real GDP growth rate by about 0.3 percentage points.

Impact on Small Business

The decline in prime-age labor force participation due to opioids and resulting slowdown in economic growth has likely hurt small businesses in particular. To estimate the impact of opioids on small businesses, the analysis below assumes that, had these absent workers been in the labor force in 2015, their distribution by business size would have matched the distribution of all private sector employees.²⁷

Table 4 contains the resulting distribution of lost prime-age employees, work hours, and economic growth by business size.

Table 4: Impact of Opioids on Businesses by Establishment Size

Establishment Size by Number of Employees	Employees, 2015 (in thousands)²⁸	Work Hours, Cumulative 1999-2015 (in millions)	Real GDP, Cumulative 1999-2015 (in billions)
Under 5	-140	-1,974	-\$115
5 to 9	-153	-2,162	-\$126
10 to 19	-216	-3,050	-\$178
20 to 49	-335	-4,722	-\$275
50 to 99	-257	-3,622	-\$211
100 to 249	-314	-4,424	-\$258
250 to 499	-177	-2,501	-\$146
500 to 999	-122	-1,720	-\$100
1,000 or more	-201	-2,826	-\$165
Under 50	-885	-11,908	-\$694

This rough estimate suggests that in 2015, of the 2 million workers absent from the labor force due to opioids, 885,000, or 44 percent, would have been employed by establishments with fewer than 50 workers. As a result, small businesses lost 11.9 million work hours and \$694 billion in productivity due to opioids.

The figures in Table 4 also indicate that, in 2015, establishments with 20 to 49 employees lost more workers due to opioids than establishments with 1,000 or more employees. Specifically, establishments with 20 to 49 workers lost 335,000 workers due to opioids in 2015, while establishments with 1,000 or more lost 201,000.

Impact of Opioids on Labor Force Participation and Economic Growth by State

The same American Action Forum study found that the opioid crisis has negatively impacted the labor force and economy in nearly every state. The severity of the impact, however, varies considerably by state.²⁹

Table 5 contains a summary of the impact of opioids on prime-age labor force participation and economic growth in each state.

Table 5: Impact of Opioids on Prime-Age Labor Force Participation and Real Economic Growth by State

State	Prime-age Labor Force Participation Rate, 1999-2015 (in pct pts)	Workers, 2015 (in thousands)	Work Hours, Cumulative 1999-2015 (in millions)	Real Output, Cumulative 1999-2015 (in billions)	Annual Real GDP Growth Rate, 1999-2015 (in pct pts)
Alabama	-2.6	-46.3	-646.4	-\$37.7	-1.2
Alaska	-1.6	-4.5	-59.4	-\$3.5	-0.4
Arizona	-1.6	-41.5	-542.5	-\$31.7	-0.7
Arkansas	-3.8	-43.4	-574.5	-\$33.5	-1.7
California*	0.1	16.9	220.4	\$12.9	0.0
Colorado	-1.2	-27.4	-359.8	-\$21.0	-0.5
Connecticut	-1.6	-22.9	-312.6	-\$18.2	-0.5
Delaware	-1.7	-6.3	-82.5	-\$4.8	-0.5
District of Columbia^	n/a	n/a	n/a	n/a	n/a
Florida	-1.7	-128.8	-1662.0	-\$97.1	-0.7
Georgia	-2.9	-117.8	-1574.1	-\$91.9	-1.2
Hawaii	-0.4	-2.0	-28	-\$1.6	-0.1
Idaho	-1.7	-10.5	-137	-\$8.0	-0.8
Illinois	-1.7	-84.9	-1188.1	-\$69.2	-0.6
Indiana	-2.4	-60.8	-837.1	-\$48.8	-1.0
Iowa	-2.6	-31.0	-432.2	-\$25.2	-0.9
Kansas	-2.0	-21.4	-296.4	-\$17.3	-0.8
Kentucky	-2.8	-48.2	-650.8	-\$38.0	-1.3
Louisiana	-2.1	-38.6	-509.4	-\$29.7	-0.8
Maine	-1.3	-6.4	-92.4	-\$5.4	-0.6
Maryland	-2.7	-65.8	-882.5	-\$51.5	-0.9
Massachusetts	-1.9	-50.8	-701.6	-\$40.9	-0.6
Michigan	-2.4	-89.2	-1239.0	-\$72.1	-1.0
Minnesota	-1.8	-40.0	-544.8	-\$31.8	-0.7
Mississippi	-1.5	-16.4	-221.4	-\$12.9	-0.8
Missouri	-3.0	-71.3	-982.9	-\$57.3	-1.3
Montana	-0.7	-2.4	-33.8	-\$2.0	-0.3
Nebraska	-0.9	-6.4	-89.1	-\$5.2	-0.3
Nevada	-1.3	-15.7	-193.1	-\$11.3	-0.5
New Hampshire	-1.5	-7.9	-113.9	-\$6.6	-0.6
New Jersey	-0.6	-22.3	-301.5	-\$17.6	-0.2
New Mexico*	0.3	2.2	31.1	\$1.8	0.1
New York	-2.9	-225.9	-3076.8	-\$179.4	-0.8
North Carolina	-2.6	-99.7	-1292.8	-\$75.5	-1.0
North Dakota^	n/a	n/a	n/a	n/a	n/a
Ohio	-2.0	-86.7	-1232.1	-\$71.7	-0.8
Oklahoma	-2.2	-32.9	-435.9	-\$25.5	-0.9
Oregon	-1.7	-26.9	-356.0	-\$20.8	-0.6
Pennsylvania	-1.7	-79.7	-1131.0	-\$65.9	-0.6
Rhode Island	-1.0	-4.3	-59.0	-\$3.4	-0.4
South Carolina	-2.3	-42.8	-543.7	-\$31.8	-1.0
South Dakota	-0.6	-1.8	-24.2	-\$1.4	-0.2
Tennessee	-2.6	-66.9	-894.9	-\$52.2	-1.1
Texas	-1.6	-171.1	-2200.7	-\$128.8	-0.5
Utah	-0.9	-10.5	-136.1	-\$8.0	-0.4
Vermont	-1.3	-3.1	-44.4	-\$2.6	-0.6
Virginia	-0.6	-18.8	-254.1	-\$14.8	-0.2
Washington	-1.1	-31.1	-412.8	-\$24.1	-0.4
West Virginia	-3.8	-25.0	-359.9	-\$21.0	-1.7
Wisconsin	-2.1	-45.2	-635.3	-\$37.0	-0.8
Wyoming	-1.9	-4.2	-56.6	-\$3.3	-0.6

*Slightly positive outcomes are recorded for California and New Mexico because per capita opioid prescriptions declined over the 1999-2015 period.

^Not enough data available to perform analysis.

The states hit hardest by the opioid epidemic are Arkansas and West Virginia. Specifically, opioids led the prime-age labor force participation rate in each state to decline by 3.8 percentage points. That loss of labor caused the annual real GDP growth to decline by 1.7 percentage points in each state.

For perspective, the negative labor market effects of opioids in Arkansas and West Virginia were substantially larger than those in Missouri, the state with the next largest decline in labor force participation. Opioids caused Missouri's prime-age labor force participation rate to decline by 3.0 percentage points. That led annual real GDP growth in Missouri to decline by 1.3 percentage points.

Opioids also drew a substantial portion of workers out of the labor force in Georgia, New York, and Kentucky. In those states, opioids were associated with the prime-age labor force participation rate declining by 2.9, 2.9, and 2.8 percentage points, respectively. As a result, the annual real GDP growth rate in Georgia, New York, and Kentucky declined by 1.2, 0.8, and 1.3 percentage points, respectively.

In absolute terms, opioids tended to have the largest negative impact on the labor force and economy in the more populous states. New York and Texas lost the most workers, work hours, and real economic output due to opioids. No state had more individuals absent from the labor force due to opioids than New York. As of 2015, 225,900 people were absent from New York's labor force due to opioids. Likewise, in Texas opioids kept 171,100 people from the labor force. The decline in labor in these states also resulted in the largest loss of economic output. In particular, the decline in labor force participation between 1999 and 2015 cumulatively cost New York and Texas 3.1 billion and 2.2 billion work hours, respectively. That, in turn, cost New York \$179.4 billion and Texas \$128.8 billion in real output.

Conclusion

While the health and personal consequences of the opioid crisis are apparent, the increase in opioid dependency is also impacting the broader U.S. economy. The U.S. economy depends on prime-age workers because they are among the most productive workers in the labor force. Yet, the growth in opioid dependency over the past two decades has contributed to their falling labor force participation rate.

As of 2015, over 2 million workers were absent from the labor force due to opioids. Between 1999 and 2015, the growing loss of labor cumulatively cost the economy 27 billion work hours and nearly \$1.6 billion in lost output, slowing the annual real GDP growth rate by 0.6 percentage points. Given the significant roll that small businesses play in the U.S. economy, they are likely among the hardest hit by the crisis.

Additionally, the opioid crisis's effect on labor and economic growth varies considerably by state. The states most dramatically impacted by the opioid crisis are Arkansas and West

Virginia. Opioids lowered the prime-age labor force participation rate by 3.8 percentage points in both Arkansas and West Virginia, which in turn slowed each state's annual real GDP growth rate by 1.7 percentage points.

As federal, state, and local policymakers consider ways to grow the economy, boost the labor supply, and support small businesses, addressing the opioid epidemic must be part of the solution.

End Notes

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- ²⁴ Ben Gitis, "State-by-State: The Labor Force and Economic Effects of the Opioid Crisis," *American Action Forum*, September 2018, <https://www.americanactionforum.org/project/opioid-state-summary/>.
- ²⁵ For a detailed explanation of the methodology, please see Ben Gitis, "State-by-State: The Labor Force and Economic Effects of the Opioid Crisis," *American Action Forum*, September 2018, <https://www.americanactionforum.org/project/opioid-state-summary/>.
- ²⁶ Note that these results differ from a previous American Action Forum Report (Ben Gitis and Isabel Soto, "The Labor Force and Output Consequences of the Opioid Crisis," *American Action Forum*, March 27, 2018, <https://www.americanactionforum.org/research/labor-force-output-consequences-opioid-crisis/>) and from Dr. Krueger's report (Alan Krueger, "Where Have All the Workers Gone? An Inquiry into the Decline of the US Labor Force Participation Rate," *Brookings Papers on Economic Activity*, Sept 7, 2017, p. 25, <https://www.brookings.edu/hpea-articles/where-have-all-the-workers-gone-an-inquiry-into-the-decline-of-the-u-s-labor-force-participation-rate/>). Since the previous report, American Action Forum discovered an error in Dr. Krueger's interpretation of his own results. Correcting for this error derives a larger estimated opioid-induced decline in the prime-age labor force participation rate. For a detailed description of the error and how it is corrected, please see Ben Gitis, "State-by-State: The Labor Force and Economic Effects of the Opioid Crisis," *American Action Forum*, September 2018, <https://www.americanactionforum.org/project/opioid-state-summary/>.
- ²⁷ The distribution of lost employees by establishment size in 2015 is derived by assuming that the distribution of the decline in employment by establishment size matches the distribution of all employees by establishment size in 2015. The distribution of employees by establishment size was derived from the Bureau of Labor Statistics' Quarterly Census of Employment and Wages, <https://www.bls.gov/data/>.
- ²⁸ The sum of the total number of lost employees is slightly lower than the total number of lost workers reported in Table 1 (1.9 million versus 2 million). The analysis assumes that had the absent prime-age

workers been in the labor force, they would have experienced the same unemployment rate as all prime-age workers in the labor force in 2015.

²⁹ For a detailed explanation of the methodology, please see Ben Gitis, "State-by-State: The Labor Force and Economic Effects of the Opioid Crisis," American Action Forum, September 2018, <https://www.americanactionforum.org/project/opioid-state-summary/>.



STATEMENT OF Katie Van Dyke, Director, Ohio Small Business Development Center at Cleveland State University, BEFORE THE U.S. HOUSE OF REPRESENTATIVES SMALL BUSINESS COMMITTEE, "Now Hiring: How the Opioid Epidemic Affects Small Businesses." Thursday September 13, 2018 at 11:00 a.m. CDT

Introduction:

Thank you Mr. Chairman Chabot, Ranking Member Velázquez, and members of the committee. It is an honor to be here to speak with you today about how the opioid epidemic affects small businesses.

I am Katie Van Dyke, Director of the Ohio Small Business Development Center at Cleveland State University. I have held this position for nearly five years, but have worked with entrepreneurs for over 10 years now. I am a Cleveland Ohio native, and have been working here nearly all of my adult years. I am proud of the work that we at the Small Business Development Centers do to support our local small businesses, who are the critical components and major contributors to the strength of our local economies .

About the Ohio SBDC and Results of Last Year's Work:

The Small Business Development Center (SBDC) program provides assistance to small businesses and aspiring entrepreneurs to help them realize the dream of business ownership and remain competitive in today's complex and ever-changing global marketplace. This assistance comes in the form of no-cost business counseling and no- to low-cost training services that cover topics such as business plan development, financial packaging, lending assistance, exporting and market research. The SBDC Program is made possible in the United States, and U.S. territories, through a collaborative partnership between our Congressional champions, the Small Business Administration (SBA) and state hosts, including leading universities, state economic development agencies and a national network of nearly 1,000 service centers such as mine, at Cleveland State University.

The Ohio SBDC program delivers high quality support to Ohio's small businesses, startups and entrepreneurs. Individual centers offer both general business services - such as planning and financial analysis - and targeted, innovative programming based on the needs of the local business community. Ohio's SBDC programs and services provide direct and measurable economic benefits to the communities we serve. We proudly demonstrate a significant return on investment that results in job growth, business creation and increased sales.

Last year, alone, the Ohio SBDC Program:

- Helped 722 entrepreneurs start their business

- Worked with existing business owner to access \$230 million in capital
- Created or retained nearly 14,000 jobs
- Worked with more than 500 companies to increase export sales by \$99 million

A significant challenge to Ohio's current business operations – in both the urban or rural communities – is Ohio's opioid crisis. From small businesses struggling to fill needed positions to Ohioans unable to fulfill their working potential, opioids are a plague on Ohio's economy. From an SBDC perspective, we used to hear about issues pertaining to access to capital and cash flow. Now, what we hear about far too much from our clients is, "I need help finding employees - I can't find anyone who can pass a drug test."

We've overcome challenges in our program's 33-year history, but this is opioid crisis is larger than any of us.

The Opioid Crisis:

In Ohio, from 2016-2017, overdose deaths due to opioids increased 39% and Ohio was the 3rd largest increase among the states. 14 people die a day from opioid addiction. These deaths aren't the stereotypical "junkie" on the street- they are people involved in the community - quite probably a young and vibrant 22 year old college grad just starting out in the workforce, or a 62 year old grandmother who just had back surgery. Yes, they are your average American, workforce age, possibly a well educated employee, possibly a neighbor of yours. 68% of Ohio's injured workers were prescribed narcotics in 2016. Half of Ohio businesses reported suffering consequences due to substance abuse including absenteeism and decreased productivity of their employees, and a shortage of workers who can pass drug tests. Unintentional drug overdoses that may have started as a prescription for a surgery or injury, cost an average of \$5.4 million each day in medical and work loss costs in Ohio. Over 2,500 people of employment age (25-64) in Ohio died of an opioid overdose in 2017 alone.

Here are some more staggering statistics according to the Alcohol Drug and Mental Health Services Board: 2/3rds of those abusing prescription medications are doing so on their company's payroll at the time of abuse. 9% of FT employees are abusing drugs, while nearly 14% of PT employees are abusing drugs. 44% sold drugs to other employees. 64% admitted that drugs affected their performance, and 18% stole from co-workers to support their habits.

SBDC Client Example (Names were changed to protect identities):

Don took over his dad's Northeast Ohio manufacturing business about 10 years ago. The business is a part of his legacy, and has been a part of his entire life. He proudly plans to leave his business to his children when they get older. Don hired Sam, a young and smart graduate of the local technical training center. Sam was injured while operating a forklift one day, but Don made sure that Sam went to the Dr. to be treated, and as far as he knows, Sam is back to work and healed. After a few weeks, though, Don started hearing the employee gossip - Sam was late for his shifts, and taking longer than usual breaks. One afternoon Sam was falling asleep while operating a forklift and slammed into a stack of pallets that nearly fell on another employee. "What was wrong with Sam?" Don wondered. What rights did Don

have to ask Sam about his behavior - would he cross a line when asking about personal issues? What if the other employee could have been badly injured - or killed? Don was upset and confused about the situation and didn't know who he should talk to or where he could get help. If he was doing something wrong, or found negligent for some reason, he could get into trouble - would he have to pay fines? Would he lose his entire business? And if he were to fire Sam on the spot, he had to make sure it was all documented - but the other employees didn't want their names involved. Plus, Sam just had a new baby and was the sole breadwinner of his family. Where should Don turn? What should Don do?

This isn't a scenario, this is a client. And there are many more examples of clients who are wondering just how to deal with the opioid crisis. It goes beyond the addicted employee - or the shortage of applicants that can pass a drug test. It also affects the business that employs the highly successful employee that gives her all, until she has to raise her grandchildren due to her daughter's overdose, and her new situation will make it difficult to work full time; or the outgoing employee that never missed a meeting and was volunteering for everything -but now is sleep deprived, withdrawn and nervous because his son started stealing from him to support his addiction to painkillers. He won't talk about it to his supervisor - it feels too embarrassing to him.

This is happening everywhere. This is a problem all small businesses are facing, or will face, in the near future at the rate that we are going in Ohio.

What the Ohio SBDC and Partners are Doing to Help the Situation:

Thankfully, there are many great resources that are on the ground working to educate employers and employees alike. But, there is a lot of work to do. Getting the information out quickly and reaching the small business owner is a challenge. Efforts by policymakers, resources, and the medical community are reducing the availability of opioid prescriptions and educating the communities and small businesses within the state is finally starting to happen.

The Ohio SBDC at Lakeland Community College created a workshop called "The Opioid Crisis in the Workplace: The Proactive Role Employers Can Take". This workshop was built to be easily replicable for each SBDC in the different counties to offer and customize with local subject matter experts.

My center, The Ohio SBDC at Cleveland State, is partnering with our local chamber to hold this workshop in Cuyahoga County in October, and we can even offer continuing education credit to the HR and Law Professionals that attend. We are also working to share the resources from partners that are available to small businesses when we advise them - taking more time to understand their employee needs, and to probe a little more deeply when issues with employees arise. We base our educational workshops and advising on the needs of our clients, and we would be amiss to ignore this growing epidemic. With further training and continuous conversation among resources that offer help to our small businesses, we as small business advisors are learning to support our small business clients in this area.

Ohio SBDC at Lakeland Community College Opioid Workshop:

<https://www.youtube.com/watch?v=vXA59XCxPxA>

The Ohio Bureau of Worker's Compensation offers a free Drug Free Workplace Training - a premium rebate to eligible employers for implementing a loss-prevention strategy addressing workplace use and misuse of alcohol and other drugs, especially illegal drugs. The Drug Free Workplace Training is made of five components that cover policy and operations, employee education, supervisor training, testing for drug use, and responding to an employee's harmful use of drugs - for second chance or termination.

<https://www.bwc.ohio.gov/employer/programs/dfspinfo/dfspdescription.asp>

The Ohio Chamber of Commerce has partnered with Working Partners and Anthem to offer a free Opioid Toolkit that contains a five module online course for employers, a free online course for employees, and additional customizable printable resources for use at the workplace.

<http://ohiochamber.com/opioid-toolkit/>

There are many other resources that are providing education and training around the opioid crisis in Ohio that are not included here, but are valuable and add to the positive effort. The most important thing we as a community can do is to get everyone to talk about the facts, the staggering statistics, and break down the stigma that this is someone else's problem - it affects us all, whether directly or indirectly. If we can face this problem with as much knowledge as possible, we will be better armed for changing the statistics and creating a healthier workforce.

**Statement on
“Now Hiring: How the Opioid Epidemic Affects Small Businesses”
Submitted to
THE HOUSE COMMITTEE ON SMALL BUSINESS
By
Lisa Allen
President & CEO
Ziegenfelder Company
Wheeling, West Virginia
September 13, 2018**

Good morning, Chairman Chabot, Ranking Member Velazquez, and members of The House Committee on Small Business. Thank you for the opportunity to testify before you to discuss how the opioid epidemic affects our small business, and more importantly, to share some of the activities our company has engaged in, hoping to change our business and our communities.

I hope that my testimony and remarks will provide insight into our challenges, our compassionate hiring practices and our company’s culture of dedication to our Tribe, their families and our communities. More importantly, I hope that by sharing our journey I can provide a business model for others, helping make a dent in this terrible drug epidemic.

My name is Lisa Allen. I am the President and CEO of The Ziegenfelder Company, a privately-held, family owned business located in Wheeling, West Virginia; we “*make people smile with really cool treats*” manufacturing twin pops and other frozen treats.

Our Company’s Background

Originally, The Ziegenfelder Company was a neighborhood candy store dating back to the 1860’s just across the street from where we are today in Wheeling, WV. The Ziegenfelder Company expanded their business by entering the ice cream manufacturing world in 1922. My

roots at Ziegenfelder run deep and date back to when my grandfather, Abe Lando, began working for the company in the 1930's.

My grandfather a kind, hard-working family man found a work-home at Ziegenfelder and began impacting business with his sales and leadership skills. My father joined the business in 1950 and my family fully purchased the business in 1960. They were excited about the opportunity and continued to invest long hours and sweat equity in the business over and over again. In those times and frankly still today, the dairy manufacturing business was very competitive. Naturally, (and not unlike today) larger companies with greater resources were better equipped to meet market needs faster, including automating work that was still done by hand at Ziegenfelder. My family invested where they could, but businesses with far more resources and financial assets were better able to invest in market share and equipment that could boost production.

Nearing bankruptcy during the struggling economy of the 1980's, Ziegenfelder developed the brand ***Budget Saver*** with the intent of servicing consumers in a difficult economy with an affordable, great tasting product. We differentiated our products with uniqueness in quality, packaging and price; and Budget Saver twin pops were born!

My father knew the chances of new brand entry into the grocery market was a long shot, yet he also knew that truly focusing on what's most important to our consumer might be his competitive advantage. He developed a unique sugar blend, excellent flavor profiles and a clear see-through package; designed to retail at a very affordable price. And it did.

By reducing the expenses associated with dairy ingredients and packaging the product in clear bags rather than traditional boxes, he began turning the financial outlook for the company

around. Clear plastic bags that featured a great tasting rainbow assortment of pops, sold at an affordable price and became a winning strategy!

Since 2003, Ziegenfelder has averaged 12% year-over-year organic growth in a grocery category that has been flat to declining, making Budget Saver products a steady market disrupter over time. Demand for our products has been supported by operational growth, adding production and storage facilities in Wheeling WV, Chino, CA and Denver, CO.

Now with three manufacturing facilities operating 24 hours a day, 7 days a week producing water ice products for grocery retailers nationwide, we make nearly 2.5 million twin pops every 24 hours. Today, Budget Saver products can be found in grocery stores nationwide and in nearly every community throughout the country. Last year we proudly sold over 40 million bags of pops in homes across America.

While we are proud of this growth operationally and financially, the source of *MY* pride really comes from our team – we are a Tribe. We call ourselves a Tribe because we are individuals, families and a community linked by our culture, and our bright, vivid vision. And let me be clear, our market and operational growth has been possible because of our awesome Tribe, which has grown from 65 to over 300 Tribe members across the country. We know our company success is because of our committed, caring, hardworking Tribe. With our Vivid Vision of **GROWING BETTER TOGETHER, REVOLUTIONIZING OUR COMPANY AND BRINGING SMILES TO EVERY HOME IN AMERICA** and our mission to **MAKE PEOPLE SMILE WITH REALLY COOL TREATS**, we know we are serving our consumers and evolving our diverse Tribe and our caring culture in unique ways. Our business continues to expand and our Tribe continues to grow as we continue to bring our twin pops to families everywhere.

One of our competitive advantages has always been our low-cost business model which we refer to as our *Ziegggy Economy*. Remembering our original mission of meeting the needs of all consumers for a low-cost frozen treat, we remain true to our mission. Low retail pricing begins with our own disciplined business practices and our commitment to the millions of consumers who are unable to afford expensive ice cream and other treats. Today, as in the past, Budget Saver products can be produced, sold, distributed and placed on retail shelves for under \$3.00. That's important to our consumers and to our Tribe.

***Our Tribe & Our Commitment
to Workforce Diversity and Compassionate Hiring Practices***

All members of our Ziegggy Tribe benefit from committed, compassionate hiring practices. Our doors are open to nearly anyone who is willing to work hard, wants to grow and develop, and can commit to our *Ziegggy Essentials*.

Perhaps our hiring practices emerged as an outgrowth of our company's culture and commitment to our Tribe; a diverse open-minded tapestry of loyal, hardworking people. Perhaps we *re-focused* our hiring practices because of the harsh reality of our shrinking workforce caused by the devastating effects of drug addiction on our business and our communities. Located in what often feels like the epi-center of the opioid crisis in a stagnant economic area, we find it challenging to secure a steady workforce. The overflow of statistical data confirming the deadly expanse of the opioid epidemic is overwhelming. Sadly, solutions are few and far between.

Drug addiction knows no bounds. Addicts are our sons, our daughters, our mothers and our fathers. Diversity of talent, potential, capability and intellect is interrupted and hijacked by drug addiction. Yet with recovery, hope, and connections, a person's resilient spirit can rise again.

Seeing beyond the addiction and incarceration to the resilient spirit is yet another competitive advantage we realize at Ziegenfelder.

The truth is our hiring practices most directly developed following a chance conversation with a friend from the U.S. District Attorney's office who thanked me for hiring individuals from a local half-way house, who were in the midst of rebuilding their lives.

Once we learned the backgrounds of many of our entry level employees, we chose to become intentional and hire re-entering citizens, veterans, and the homeless, many of whom included recovering drug addicts. We have always hired people who are willing to commit to our company and we hope we reflect the commitment that we are making to them. People with many different experiences and backgrounds have made that commitment to our company and we remain loyally committed to them.

Anyone dedicated to living what we refer to as our ***Ziegggy Essentials*** is welcome to join our family; our Tribe. All you must do is pledge to keep our TWINS principles in mind at all time. THINK Tribe first! WIN by always doing the right thing! INSPIRE each other! NURTURE our Ziegggy Economy! SERVE others putting safety first! Our TWIN principles will produce a future brightened by inspiring people, creating smiles and impacting lives.

Our Commitment to Our Tribe: How We Help Those in Trouble

At Ziegenfelder we work hard to foster an emotionally and socially safe environment where our Tribe members have a place to recover and prosper. We feel validated by the fact that when our employees are in trouble, they often look inward to each other and our leaders and ask for help. When our Tribe is hurting, we're hurting too. As you well know, the complexities of the opioid epidemic are far-reaching eventually resulting in family and community disintegration, imprisonment and/or death. We take an active role in developing connections with individuals in our Tribe demonstrating how much we care about them as individuals. Intentionally connecting, asking about their lives and building relationship with people who often live in isolation or have lost connections can mean the powerful difference in relapsing into addiction or re-incarceration. Just Saturday, I had the opportunity to subtly honored one person celebrating three years clean and another who had his ankle bracelet removed, with a hug and a high-five. Hugely meaningful milestones in recovering and changing lives. We must remember, this could be your son, your daughter, your neighbor or your friend.

It knows no bounds.

In our Ziegggy Tribe environment, loosely structured peer groups have emerged, addressing smoldering issues **THEY** see, address, and work together to solve. As a company we work with local counselors, social service agencies, our medical community, law enforcement, Department of Corrections and Rehabilitation, and federal probation officers and state parole officers on a case-by-case basis working to employ and assist recovery and reentry. We have visited state and federal prisons, we've participated in job fairs inside jails and in re-entry simulations. In partnership with the WV Division of Corrections and Rehabilitation, members of our tribe have been trained and certified as Addiction Recovery Coaches. We are working in

partnership with the West Virginia Department of Corrections on a pilot-work release project with our Northern Regional Jail. Currently incarcerated individuals, with excellent conduct records at the tail end of their sentence, walk three blocks to our facility, work an 8-hour shift and walk back to the jail. Contrasting the pennies inmates can earn while incarcerated, to earning our starting wage as a full-time employee goes a long way, once released and trying to start their lives again. We are realizing success with this program, and it seems like everyone wins. Our Ziegenfelder Tribe increases our committed, drug free workforce, stabilizing our production and serving our customers, and the inmates experience transition from full incarceration to self-responsibility outside of jail.

Win, win.

Our hiring practices have earned us recognition on national and local levels. We network with other businesses with similar initiatives. We've learned from and shared best practices with other businesses locally and nationwide, who commit to re-entry initiatives and returning citizens. These issues are complex, and much bigger than our little company, we know this. That is why we are open and continuously in search of ideas, resources and best practices to improve our processes.

While we are compassionate and have open hearts, we are not foolish – we have employees and a business to run. We are grateful that most of our Tribe is also committed to protecting our business and each other. We are a close-knit community, people look out for each other, and many have known each other for a long time.

Roughly one-third of our workforce has been with us for ten years or more. This portion of our Tribe is hard working and have never “been in trouble.” They are well trained and committed. Another third of our Tribe comes to us following what some would call a

“checkered past.” Some Tribe members have made bad decisions in the past, but they come to work with us as they rebuild their lives and they succeed in staying on a positive, self-aware, well-lived life. Some portion of the other third of our workforce truly struggle; we sense they are in the midst of something not good, spiraling downward. We are committed to creating and maintaining a safe environment, one that is socially and emotionally safe, and trusting, where our tribe can grow. We hope that this environment and culture can help support and reward our Ziggy Tribe of those who truly are in it to win it.

Our Culture Has Become Self-Perpetuating

Diversity is our strength and our competitive advantage. With open minds and open hearts, we recognize many people have capabilities and a need to be part of success and something bigger than themselves. Again, these could be our children, our friends, our neighbors, our co-workers, all the fabric of our community; people with so much to contribute yet may have made poor decisions, changing the course of their lives.

Standing idle, often in judgement of others, doing little but measuring and analyzing statistics does not erase mistakes nor change the spiraling impact of addiction in our communities. Even worse, standing idle may perpetuate crime and other debilitating problems. We believe and have found that for many of our Tribe members, *a job is the best antidote*. And this belief has been affirmed over and over again by our Tribe members. One of our Tribe leaders Tanner Defilbaugh articulated it so well: “When you work somewhere like this it makes it easier to do the right things, when you are working and you have a steady job and you have a purpose. If you’re just waning in the wind and you can’t get a job, you’re just gonna say to heck

with it – I might as well do what I was doing and that’s how a lot of people end up doing the same thing all over again.”

Please take a moment to view this 2-minute video sharing Tanner’s story.

[Ziegenfelder 100 Days in Appalachia](#)

We recognize the devastating impact of the drug epidemic. We believe in the resiliency of the human spirit. We come together in our community to find solutions versus continue to foster the problem. We have opened our doors to give people the opportunity to become better. It takes courage to stand up and make change. It takes courage to believe in the resiliency of the human spirit, and it *requires* courage to take the first step. We have and will continue to embrace the opportunity to demonstrate and reward this courage. Our results are not without failures. Unfortunately, we have had many failures. However, we learn from those disappointing circumstances and believe that the next person deserves our open minds and open hearts as much as the last individual.

Conclusion

I am proud of the company that my grandfather and dad invested in years ago and I am proud of the Tribe that continues to build our company today. It is an honor to be a part of such a tremendous group of people and humbling to think of some of the challenges they and other members of our community and nation have endured and overcome.

Their successes and our intentional and compassionate hiring practices have enabled us to share our story in many open forums, including this experience today. Ziegenfelder’s Tribe’s efforts have stretched into our community, generating renewed energy in our slowly recovering local economy. Working with leaders in education, business, medicine, local government, DOJ, DOC and the Federal Board of Prisons, we are partnering to reach our community in unique

ways. Drug addiction and associated social problems have been ablaze for generations and it may take as long to win this battle. In our communities in Wheeling WV, Chino CA and Denver, CO and at The Ziegenfelder Company, we are working together to combat this enemy; one person, one family and one community at a time. Just like starfish on the beach, there are thousands of people that need help in communities across this great nation, but to each person we can help, we make a difference. One by one we are making a difference.

Thank you for this opportunity to share our story and to testify before your committee. I look forward to your questions.

